

February 10, 2003

CITIZENS' TASK FORCE ON CHARGERS ISSUES
MINUTES for workshop of
February 8, 2003

Meeting held at:

**Council Committee Room
202 C Street, 12th floor
San Diego, CA 92101**

Mailing address is:

**City of San Diego
Special Projects Administration
1010 Second Ave, Suite 500, MS 658
San Diego, CA 92101**

ATTENDANCE:

Members Present

David Watson
Nikki Clay
Tim Considine
Pepper Coffey
Tom Fat
Bruce Henderson
Karen Heumann
Bill Largent
Joe Martinez
Geoff Patnoe
Patti Roscoe
Ron Saathoff
Len Simon
Jeff Smith

Members Absent

Cassandra Clady

Staff Present

Libby Coalson
Les Girard
Bruce Herring
Dan Barrett

CALL TO ORDER

Item 1: Citizens' Task Force on Chargers Issues workshop called to order at 10:10.

Item 2: Roll Call – Libby Coalson

AGENDA ITEMS

Item 3: Workshop

Watson – We are going to go around and have each person identify their position, then have a question and answer period, ask consultants any questions, then will start identifying the issues we have agreement on and those disagreeing. No idea is a bad idea. Nobody will be held to anything they say first time around – the purpose is to listen to what everyone has to say and consider points of others.

Watson:

1. After more than six months of presentations, document review, information gathering and analysis, I have reached preliminary conclusions on possible recommendations regarding a possible new stadium

for the San Diego Chargers. My conclusions are based on the evidence presented and my personal knowledge and experience.

2. We are engaged in this process because the Chargers say they need a new stadium to be competitive financially. The Chargers have provided absolutely no evidence for this. Several years ago, however, the Padres did provide financial evidence they needed a new ballpark. Ballpark Task Force I had full financial disclosure from the Padres. Half of the Ballpark Task Force I report discusses the most intricate details of the Padres' finances. This gave the first Ballpark Task Force a solid foundation for concluding the Padres needed a ballpark and left its members free to support that need. We have received no such cooperation and information from the Chargers. There is absolutely no foundation for us to support a new stadium. For that reason alone, all discussion about a new stadium should end and we should support the status quo.
3. However, we were given a Mission Statement, so I will continue my analysis on that basis.
4. The first question of our Mission Statement is: Are the Chargers and NFL important assets to the life and economy of San Diego? We have testimony from several experts (Rosentraub, Baim, and Utt) that the contributions are small; an NFL team's economic importance rises as size and stature of the city decreases. An NFL team is more important to a smaller city than a larger city.
5. Testimony from Convis indicated the Chargers' impacts on tourism are de minimis, if any. The San Diego Taxpayers Association study of tourism in 1998--a year with both a World Series and a Super Bowl--did not even mention professional sports. The recent update of that study did not change that.
6. Analysts say an NFL team's financial impacts range from \$100 million to \$250 million. Our consultant says the Chargers' impact on San Diego's economy is about \$150 million. Analysts say Super Bowls generate \$220 million to \$320 million for the host city economy.
7. Those numbers seem high, but they pale in comparison to the city's top two tourist attractions which collectively generate about \$2 billion every year.
8. The Chargers may be somewhat important economically, but their contribution is relatively small.
9. Analyzing the Chargers as a public amenity also results in an interesting comparison. Balboa Park has about 13 million visitors every year. Mission Bay Park probably has a comparable number. But if you sell out every Chargers game, perhaps 700,000 people have that experience.
10. Mission Bay Park has a master plan to fully develop Fiesta Island and South Shores for better public use. Mission Bay Park needs about \$300 million to \$400 million to fully implement its master plan. Balboa Park probably needs about \$500 million in capital improvements and maintenance. To serve the greatest number of people, where should public funds be spent?
11. In fact, returning briefly to economics, because the tenants and institutions of those two parks probably generate a combined economic value of \$2.5 billion to \$3 billion, where is the greater return on investment for the benefit of the most people? I think the answer is obvious.
12. We also are asked to look at the ticket guarantee, rent and operations and maintenance costs. When comparing only the ticket guarantee to the Chargers rent payments, the city comes out ahead. When you add in the bond payments, the city is behind. When you add the operations and maintenance costs, this creates a substantial drain on the general fund of several million dollars each year.

13. Based on all of the above, my financial conclusion is that the Chargers have a comparably small economic benefit and are a net loss on the city budget.
14. We are next asked what can be done to keep the Chargers in San Diego in a fiscally responsible way that the public will support.
15. The Chargers and the International Sports Council proposals had great similarities. They both significantly over developed the site with high intensity proposals that create enormous negative impacts on the surrounding community. They both left out tremendously high expenses for traffic improvements, environmental mitigation, parking, bond costs and public services costs. Both completely miscalculated the tax revenues. At first, the Chargers committed a fundamental error assuming the city would receive 100% of any new property tax revenues generated by the project. Now, even their adjusted calculations don't work under any scenario. (Attacking the credibility of Kayser Marston, which identified the enormous scope of the flaws, is probably not a successful strategy.)
16. The Chargers really did not offer \$200 million for a new stadium. A large portion of that is from the NFL and the Chargers want to keep the naming rights. And as Mr. Saathoff pointed out last Thursday, it's possible the Chargers would have no out-of pocket expenses for their proposal. That does not seem appropriate if the city is left covering the difference.
17. My conclusion is that under any scenario using the concepts put forth by the Chargers and the Sports Council, the city would have to contribute hundreds of millions of dollars in public assets and public funds to make it work. Regardless of whether the site was in or outside a redevelopment area, the city would be required to identify future revenues and current assets and divert them from other uses to implement these proposals.
18. Because I have concluded the Chargers' economic and public amenity contribution is comparatively low, I see no basis whatsoever to support providing any public assets or funds for their proposal.
19. That leaves the question—how do we keep the Chargers in San Diego in a fiscally responsible, public acceptable way? I have two suggestions.
20. Business Model Scenario. My first suggestion is what I call the Business Model. In this scenario the city leases the entire 166 acres to the Chargers at a rent based on market rate, reduced by the value of the amenities, services and assets they ultimately provide. The Chargers would bear the risk and cost of obtaining the entitlements for any redevelopment of the site. The Chargers pay all costs of construction, maintenance, and operation of a stadium. The Chargers also would be required to construct a riverfront park at their expense and donate it to the city. The Chargers would have to accept all of the other users currently in place at the stadium (i.e. Aztecs, Holiday Bowl, Gold Coast Classic, etc.) and any other users the city may direct, provided they don't interfere with the Chargers' operations. The Chargers keep all revenue from the other users.
21. I believe the Business Model Scenario is appropriate because the Chargers can afford it, they won't prove they really need a new stadium, and the city has more pressing issues requiring public funding.
22. Public Amenities Scenario. My second suggestion is what I call the Public Amenities Scenario. This proposal would implement the Mission Valley Community Plan, which calls for an active recreation park around the stadium. I would add a riverfront park as well. The Chargers would contribute \$200

million, on top of an NFL contribution. The city would keep the naming rights to further defray costs. The remainder of the financing could come from revenues generated from a relatively small temporary sales tax increase approved by two-thirds vote of countywide residents. The city and county would form a joint powers authority to own and operate the stadium, issue the bonds and pay them with the sales tax revenue.

23. I know a two-thirds vote is difficult, but only 42% of Chargers season ticketholders reside in the city. And a well crafted, park based, environmentally sensitive regional park and stadium proposal could attract a coalition of support from the environmental community, the business community, sports boosters and neighborhoods. This is doable. Especially if the NFL guaranteed a regular Super Bowl rotation.
24. If either of these two options is rejected, then my fallback position is to enforce the existing contract in the manner described in the Contracts Committee report. I won't repeat that here.
25. Basically, we are here today because of threats by the Chargers. I have tried to address what the Chargers want, while rising above their threats and trying to devise methods of serving the public interest. I think both of the options I've described do that in different ways.
26. Some people say that trying to enforce the contract or impose an unwelcome option on the Chargers would lead to the trigger, litigation and loss of millions more city funds because the controversy would further depress tickets sales and inflate the ticket guarantee. I reject that argument because it's just another form of extortion. And the Chargers still must use "best efforts" to ensure maximum occupancy of the stadium, regardless of any controversy. The city should enforce that provision of the lease.
27. Finally, in any negotiation you must be prepared to accept that the deal might fail and the parties will walk away. It's hard to bargain from strength if you're so afraid of losing the deal that you capitulate on too many issues and the end result is one-sided. That's what happened in 1995 and 1997. Therefore, we must be prepared to lose the Chargers. Based on my previous conclusions about their value to the city, I can accept that. Would it be unfortunate if the Chargers left? Yes. Would it be that big of a deal? No.

Clay – It's been a pleasure to work with this task force, great group, diverse, all very involved and really contributed. Unfortunately Cassandra is out of town and her absence by no means indicates a lack of interest, she has been very involved in her contributions. Her opinion will be reflected in the final report.

One part of the mission statement is to determine whether the Chargers and NFL are important assets to the life and economy of San Diego. And, "fiscally responsible way that the public will support" – words that task force has kept in mind throughout process. Mayor also added that anything requiring significant City resources will be put on the ballot. Interesting that in Manager's Report in July included more specific information on tasks – City's financial involvement, City's payment of ticket guarantee, the revenue paid to the City, revenue net the operating expenses, and impact to the City's budget. Original charges have been addressed by the Chair.

A public opinion poll was done in June 2002. Reported that ¾ of county residents believed the Chargers are somewhat or very important to San Diego, but only 22% would support spending public money to keep the team and 61% somewhat or strong opposed to spending public money to keep them here and 53% opposed to giving them public land. If had one thing to wish for, it would have been good to have more public comment, but not sure how we would have done that. We met in different Council districts, met in the evenings,

established a web page up with everything on it, and involved a number of people from the community in committees and full task force.

Charge of Facilities & Redevelopment Committee – examine Qualcomm’s current operations finances and condition, determine if need new or if Q can be upgraded, analyze development opportunities of the site, and to maximize revenue, consider environmental issues, and added that the community would accept.

- The state of the stadium – new stadiums run 1.6-1.8m s.f., where Qualcomm is 1.1m s.f. The main area lacking space is the back-of-the-house, the important support facilities – when did additions of seats didn’t increase this space commensurately. This is an issue with Qualcomm. The stadium is 30 years old and there are problems. It is safe, and many things are done by stadium staff to keep it running. Lots of things happen when a stadium gets older. Number given for a remodel was \$390m. What is the \$50m remodel option – is there one there?
- Interesting that this is more than just a Chargers stadium – also a venue for the Holiday Bowl, SDSU, and events such as the Super Cross (largest event). Need to remember that protecting these other uses is important.
- Qualcomm is big, 166 acres, next to the river, trolley, has some good attributes. Also have environmental constraints such as the MTBE plume, in a flood area. Mission Valley and Serra Mesa Community planning groups and Mission Valley Community Council have been wonderful groups to work with and given much thought to the site. Were very constructive in their comments.
- Chairman has come up with two options that do meet the charge of the full task force and the charge of the Facilities & Redevelopment subcommittee. The business model addresses her biggest concern – how could keep the Chargers here, is not going to be a traditional way. Mr. Watson’s options meet the criteria, given them a chance to work. Definitely wants to protect the City. Will be up to voters to see if approved.
- Feels positive and that we have a couple of options would work.

Saathoff – has been a good experience working on the Task Force. Has come up with conclusions similar to that of the Chair and agrees with his comments.

In Finance committee, have talked a lot about principles that need to be included. No General Fund impact, including paying off the \$67m outstanding debt, infrastructure costs and environmental concerns to be addressed. Protect City against any cost overruns on construction. City should be protected against any revenue stream shortfalls. It is critical that there be protections for the General Fund.

Agrees with leasing, not selling the land. Interesting that the current agreement is front-loaded. From a financing standpoint, thinks Chair covered it well. Have been given a great deal of information that shows they are in the 4th quartile of revenue, and have tried to get profit and loss information, and haven’t been able to. One thing represented by Chargers was that they need the margin to be competitive with their peers in the NFL. They don’t have the information. Questions the Chargers saying that they need the margin. Other, first year teams have substantial debt for their new stadiums. They’d generate more revenue with a new stadium, but it is not clear that it is needed for them to remain competitive.

It is safe to say that there is a benefit of having the Chargers in town. There is an approximate \$10m drain on the City today to maintain the relationship. Finance has looked at a variety of revenue streams and mechanisms which could be used and will be included in the report.

Has looked at County participation as well. Could get more money from an IFD with County participation. An IFD could work, but given that the area is not blighted, it would be very difficult or impossible to have a redevelopment district. Representatives of the County will be heard from at the Finance Committee and we will report out.

An increase in sales tax county-wide is possible and makes sense as way to go about funding. A ¼ cent sales tax increase could generate approximately \$100m annually, approximately \$.25 per \$100 spent. The lack of support for any dense site is an issue. Creating a park is a good idea. Could us a smaller sales tax increase to only pay the \$16m annual bond payment that would be needed for a \$200m bond. He would recommend that any increase in taxes sunset after a couple of years. It would provide for a public vote, County-wide participation, and no impact on the General Fund and wouldn't mean waiting to see if TOT comes in sufficiently. Wouldn't need other development, could free up the site for a stadium and other uses that the community wants.

Current site – Qualcomm is not the same as a new stadium, there are maintenance issues. Has heard a range of maintenance costs quoted.

Barrett Sports Group and KMA have analyzed the Chargers proposal – it is clear that the model presented does not support a revenue stream sufficient to support a \$200m bond. Would propose that the Chargers should be willing to bear any shortfall in that revenue. Could have the Chargers bear the burden of funding the development since they say it can generate the funding. Likes the Chair's idea that the revenue and improvements revert back to the City should the team leave.

Martínez – a long term look needs to be the framework in which all this is viewed. Need to look at the pattern of urbanism of San Diego. Public transportation needs to be utilized. Four approaches need to look at. The character of our City is going to change – It is going to become more dense and urban. The evolution of San Diego from town to City. At the waterfront we have a billion dollar asset. The library is going downtown. Need an urban design plan for downtown. A lot of urban design elements for downtown. There is not a plan. When look at the downtown characteristics and core environs, would expect that the Qualcomm site is part of the downtown core in 2020 – we will be very mobile then. Need to look at how the characteristics of our city will change and need to tie it all together as part of a downtown.

The option of phasing developments over time, planning it out is important. In the end, it is all about financing. Need to address the priorities for San Diego. What are they? Convention Center third phase should be important – new cash into our community. A downtown arena, that works with well with a convention center. Balboa Park is a tremendous asset, and there are needs there. Housing - the expense of housing is a deterrent to companies moving to San Diego. If we have a 166 acre site that could accommodate some housing and a river park, it is important. Looking at the characteristics we have to deal with, would like to tackle the options with the Finance committee and come up with a set of principles that address the quality of life want to have here in San Diego in 2020.

Patnoe – doesn't believe it should be the City's responsibility or the job of the Task Force to make the Chargers financially viable or competitive with the other teams in the NFL. But, thinks a team can be an asset to a city financially and for building a community. Believes Super Bowls are beneficial to the region and should be a component and considered as part of any plan that moves forward. Cannot say whether the stadium needs to be replaced, however, he does see the deferred maintenance needs in Qualcomm as it is old, but the question is whether it is more fiscally responsible to renovate, or to invest resources to build a new stadium. TF has been asked to address the question of how to keep the Chargers in town in a way the public will support. Doesn't believe we should do this at the public level suggested by the Chargers. Doesn't think Mission Valley area can support the development. Decision rests on the City Council who will turn to the voters for their input. Council's deliberations will be based on political, financial and emotional points. Believes the task force report should be the foundation for continued discussion about a new stadium. Thinks there are ideas for building without it impacting the General Fund.

One idea, which he doesn't fully embrace yet, is a 2/3 vote on a county-wide sales tax increase with a sunset clause to fund a public portion. Per community groups, this discussion could be the last best opportunity to do something great with the 166 acre site. One option could be a 100-acre public park adjacent to a stadium on the site. Thinks there are other sites that might work such as downtown or the Sports Arena site.

Guiding principles when considering a public private partnership to result in a new football stadium –

- 1) Don't waive any rights in the existing agreement.
- 2) Waiving the ticket guarantee should be pursued before any negotiating begins
- 3) Don't rush any project or deal as good planning takes time
- 4) Don't sell the 166 acres site; lease the land instead
- 5) Address the existing debt in any plan
- 6) Chargers should put more than half of the project funding in, as outlined in their original proposal
- 7) The public contribution should be capped
- 8) Financing plan must not touch, tap, hit, drain, squeeze, flirt, or tease the City's General Fund.
- 9) The development risk and any cost overruns for the project must be the responsibility of the developers
- 10) Multiple Super Bowls should be negotiated
- 11) Any revenue shortfalls should be on the developer or the Chargers
- 12) There should be a public vote on any stadium plan

Strongly believes that it isn't the City's or Task Force's responsibility to make the Chargers competitive. A discussion of replacing an old City asset like the stadium is a responsible discussion.

Smith – The City of San Diego should not commit existing or future public funds to the development of a new stadium or for the refurbishment of the existing stadium. The City should not allow proceeds from the sale of public property nor shall it redirect existing or future property tax revenues to fund a new or refurbished stadium.

The City of San Diego should resist using public funds or assets to assist the development of a new stadium unless there is a significant, tangible, and measurable public benefit for such action.

The City of San Diego should refrain from engaging in any stadium development plan that could pose a potential future financial risk to the City.

In an effort to assist the existing NFL franchise, the City may consider the following actions:

- Offer the Charges the opportunity to refurbish the existing facility at their sole cost
- Offer to ground lease the Chargers a portion of the Qualcomm site for the private development of a new facility. This offer should include requirements for the retirement of existing public debt and provisions for desired use for the new facility by other parties such as SDSU, Holiday Bowl, etc.
- Offer to ground lease the Chargers other appropriate City-owned property under similar conditions.
- Offer to fund infrastructure improvements related to new stadium development that directly enhance public property, facilities, or services
- Offer to place a special sports and/or entertainment user tax measure on the ballot, for City/County vote, to fund stadium improvements and/or construction. If there is a new stadium, should be funded by a user tax rather than a general tax.

Coffey – what has been accomplished so far is just the beginning. Need to look for solutions with 2020 vision and creativity. Sports institutions need to start operating to support the fans and taxpayers in addition to owners and players. Doesn't want to cast a vote to have the Chargers leave town. Can't ignore that hundreds of millions watch, play and enjoy sports, that the American public plan holidays around sporting events, that

political statements are made, social calendars of adults and kids are filled with sporting activities. It would be a big mistake for San Diego to lose the NFL. It should be a regional effort, supported by all or most of our residents, not a tax paid just by the city. The facilities do matter – attitude, perception and enjoyment of people is undeniable. People's perceptions are altered for better or worse by their experiences. It would encourage people to return to the area. If constructed in the right place for the right reasons would be in favor.

Doesn't make sense to pour additional money into a 40 year old stadium. We will never see an optimal, state-of-the-art facility without new money. Hosting more super bowls will be beneficial to the city in terms of national and international exposure. The price vs. benefits to the City must be identified. The original site of the new ballpark was not downtown, and that site was selected to encourage redevelopment. Any new football stadium should be built where it can do the most for generating more development. Providing stimulus for new development in areas needed.

Stadiums are like public parks and should be supported as such. Families, friends and children use. One thing that hasn't been investigated enough is that a new stadium should be built to support surrounding parks and play facilities. The focus so far has been in terms of one professional sports team, should be a sports complex. While exploring financing alternatives, need to highlight charging users for their benefits and need to ensure there will be adequate revenue.

Has enjoyed working with everyone and thanks to the Mayor for the appointment.

Considine – Has been a San Diego Charger Season Ticket Holder of four seats since the Chargers arrival in 1960. Also, as an avid fan, has paid a personal seat license for converted Club Level Seats about five years ago. While some might say that this might prejudice his position, his family and he are fifth generation San Diegans and his primary allegiance is to this community.

Several premises at the core of Mr. Considine's position. They are:

1. The only party looking for change in the current stadium situation is the Chargers
2. Approximately 75 million dollars in unpaid obligations remain on the existing stadium.
3. The current financial arrangements guarantee that the City will have an annual loss in the operation of the stadium until the year 2008.
4. The existing lease is so poorly drafted that no one can state with certainty that the Chargers are bound to fulfill the lease.
5. The presentations of Dr. Utt and Professor Baim indicated no perceptible economic impact on a community that could be discerned with the arrival or departure of a professional football team.
6. The San Diego Chargers proposal represents the intent of the Chargers to build a new stadium at the Qualcomm site in such a manner as to be of no cost to the City of San Diego General Fund.
7. The presentation of the Barrett sports Group confirms that the possibility of new net revenues in stadium operation exist with the Chargers proposal.
8. The presentation of Keyser Marston was irrelevant other than to point out that the Chargers proposal had not dealt with infrastructure issues.
9. Presentations made by Peter Hall dealing with the redevelopment district indicated that while space in the district could be squeezed out, the process of inclusion of a new stadium would be detrimental to the overall design and plan of the district. As such, sites away from Qualcomm are possible but not likely.

Mr. Considine's position follows:

- A. No arrangement should be made with the Chargers that puts any funds of the City General Fund at risk.

- B. The Chargers should be acknowledged as a valuable asset of our community, but with an impact that is difficult to place a dollar amount.
- C. The City should cooperate in all ways with the Chargers to assist them in the process of construction of a new stadium or refitting the existing stadium keeping in mind A. above.
- D. The future arrangement with the Chargers should contemplate a plan in which the Chargers have sole responsibility for all the costs of the operation of the stadium, including reserves for capital improvements.
- E. The Chargers should commit to a 40-year lease that is absolute in its duration.
- F. The lease should provide safeguards for existing users both as to a cost system and availability. This would include SDSU, Holiday Bowl, and the Gold Coast Classic.
- G. All methods should be explored to encourage participation by the County of San Diego.
- H. The City of San Diego should hire outside professionals to negotiate the lease itself. Outside professionals should be a team comprising an experienced attorney and an experienced businessperson.
- I. Finally, if no satisfactory arrangement can be worked out under these terms, then the Chargers should be viewed in terms of the existing lease including the fact that they may pick up and leave town.

Ultimately, issues of financing will surface and we should indicate that with permission of the electorate where necessary, the following financing could be considered:

1. Infrastructure financing district bonds, hopefully, with County participation. Charges must pay a rent to cover any shortfall.
2. Limited and revenue obligation bonds on coordination with the chargers lease so that the Chargers cover any shortfall.
3. Retention of the proceeds and profits to the City of any lands sales or incremental taxes due to the development of a portion of the existing Qualcomm site. These taxes can only be retained to the extent provided in the law.
4. Encouragement for the Chargers or related entities to be the master developer on the property to insure the timing of the cash flows from land sales and other revenues.
5. No sale tax increase or other user fees should be used in this process.

Fat – has enjoyed the Task Force and is honored to have been appointed.

Caught off guard by talk of a sales tax increase, thinks will be too difficult to get that voted on.

- Chargers and NFL are important assets to the life of San Diego, but not sure how much.
- Fiscal impact of Chargers – ticket guarantee ends in 2007
- There is a positive economic impact of Chargers in town
- Community pride and identity are important
- Super Bowl international exposure that we can't afford to get
- A new stadium must be able to pay for itself – no money from the General Fund.
- Probably will cost more than \$200m
- Costs overruns the responsibility of the Chargers
- Would find it exciting if could generate taxes on ancillary development on 66 acres
- Thinks Qualcomm site is the best site
- Wants City to keep naming rights
- Whatever deal should be a vote of the people, but doesn't think 2/3 is practical – should work on a majority vote
- Preliminary recommendations – 1) do nothing and try to keep Chargers in town, 2) new stadium at Qualcomm with a development – shouldn't sell the land. City is urban now, so not afraid of density if it works well with the community plan and the traffic and environmental issues are met. Encourage

the Chargers to give us part of the PSLs if we get them. Find a way to afford a contribution without using the General Fund.

- 4 Super Bowls or a guarantee for a rotation – adds money to our city
- should be a cap on City expending if the bond mechanism funds it
- A new stadium on Qualcomm, with above conditions, allow development on other 66 acres, allow \$100-200m public contribution if supported by development, don't sell land or lease to Chargers and let them take all the risk. City should subsidize. \$67m owed should be part of the deal. County-wide vote okay. Thinks it is going to be a tough sell as citizens not happy with City paying for sports stadiums. Chargers should take the lead in marketing it. Get community groups involved. Sensitive to planning groups.
- A river park should be included.
- Cognizant of priorities of the City in how they use the funds – Balboa Park, convention center, embarcadero

Largent – long-term season ticket holder. Doesn't think could build a new stadium without hitting the General Fund, so would need to raise more money. Encountered many people and none said would want to pay for a new stadium. Tally of public speakers – 70% do whatever to keep, but don't increase taxes. State budget issues.

Chargers proposal of paying \$200, is only \$132 since G-3 contribution is part of it. Naming rights, etc. are in there. Will be lawsuits, and every day of delay increases the cost. Is suspect of the information provided. Constructing residential, office, and retail in floodplain on contaminated soil not good. He isn't convinced that they contribute much economically. The Chargers have made claims that they can trigger, have their numbers been audited?

Doesn't think we have the corporate structure to support more luxury suites. Chargers think they need a new stadium to be competitive, need a better team to be more competitive. Should help the Chargers find some land, sell it to them,

Enforce current contract, develop a park along the river, do some renovation. At a later date, after more fiscally sound, could consider developing a new stadium

Simon – to suggest the City is finished with this process is a mistake. Chargers and City ought to slow down and look carefully at what is going on.

- The Chargers have substantial psychic value to the city of San Diego, people who care about the football team in this town
- Modest financial impact of having a team in town and more substantial impact to having a Super Bowl
- Chargers have not made the case that they are not financially viable – have failed to show us they are poor
- If Chargers number up to the trigger, then could trigger again next year and every four years through the duration of the project. Can we force them to stay in town with the contract? Maybe. If we sue to keep them here and fail and they go to LA, then the ticket guarantee will only get worse. We are living under a bad deal made in the late 90s, are digging ourselves out of a hole. Need to decide what is best now, not cry over what was done before.
- The fact that not dipping into the General Fund doesn't mean there isn't a creative way to fund
- The \$200m from the Chargers is a first offer, doesn't mean it is a last offer. Wouldn't reject because of that amount or the redevelopment funding doesn't pencil out right now.
- If something is wrong with the Keyser Marston amount, let's hear about it in detail.
- The idea of a downtown stadium makes him nervous, though there are some advantages

- County sales tax is a new idea and concerned about recommending when haven't spent any time discussing it.
- Doesn't think will answer all the questions in twenty days. Thinks there is something to say for a temporary solution under which Chargers quit talking about leaving and City and/or County (supportive of their help) continue to work to refine the approaches and try to find a win-win solution.

Heumann -

Loves football, likes having a home team, wouldn't want to lose the home team, the spirit. Three options:

- 1) Hold Chargers to contract with phase 1 development late in the contract – savings from this proposal would allow us to put cost off as long as possible, benefit of generating revenue after the ticket guarantee goes away. The cost would be continued ticket guarantee, bond payments, parking spaces must remain, limitations on park availability. Chargers have to trigger to disrupt the status quo – if they do, the City can challenge and there are costs associated with this. Could attempt to offset the trigger, which would be a cost. If the offset fails, would have to negotiate with the Chargers in a negative climate. Would get the benefit of the 1997 renovations. Phase 1 development would mean negotiating a new contract with a remodel or new stadium, prior to the end of the contract. At some point in the future there will need to be a new or renovated stadium. Would support a park at the stadium site or limited development, a stadium at the site or downtown in a redevelopment location.
- 2) Allow Chargers to buy City out of existing contract and go directly into the phase 1 development, and ask Chargers to reimburse for ticket guarantee and \$78m so the City would feel like wouldn't need to wait till after 2007 to recoup anything, then support a new stadium downtown or on the Qualcomm site. The costs would mean have a new stadium earlier so would have to finance immediately and would get a park soon. This plan would erase the ill-will toward the City.
- 3) Go ahead with the phase 1 approach knowing that it takes time and maintain status quo in the meantime. Difference is that in option 2, the Chargers would pay the expenses off.

Doesn't support Chargers proposal as it is too dense. Urban village approach is good, but stretches the limits. Supports walkable areas, but the Qualcomm site doesn't support such a village – not enough infrastructure, would overburden services already overloaded. Opposed to holding to the contract without a vision for 2020 – wouldn't keep the Chargers in town long term. Important to recognize the unique opportunity for the County to join in keeping the natural amenity of the river.

Roscoe – thinks the Task Force is headed in a good direction. Attempted to find a solution that would be fiscally responsible. Have had 5 months for the task. Not a lot of time for such a big job. Had input from the community and neighborhood groups at the subcommittee and the committee is much more knowledgeable now. Appreciate the concern and advice from the public.

What now? The reality is that Chargers and NFL want a new stadium, and if not built, we may lose division 1 football, Holiday Bowl and other events. The current stadium is old, has deficiencies, and something needs to be done. Renovation is not a fiscally sensible option. We made renovation mistakes before, but the two successful Super Bowls resulted in benefits to the community. The site is prime for a carefully thought out new development project, with the stadium as only a part. A team with housing, traffic, environmental and other experts could get the work done. We have had multi-use concepts brought forward by sports council, Chargers and Facilities committee. There are enormous challenges, financing in particular, but with the creative environmental, business, financial minds these challenges can be overcome. A comprehensive public process will determine whether can do.

With state and local budget crises and a number of other important issues, a proposal must make sense. Does not agree with sales tax – not sure that could get a 2/3 vote on anything, does agree with the possibility of a user fee. Other potential sites? Perhaps, would be worth exploring sites downtown and I-52 corridor.

Must be a collaboration with the County. Urge City and County leadership to work together in a partnership and create a long term vision. Thinks taxpayer and voting public are looking for that type of leadership. Task Force work is just beginning in what must be a thoughtful and unrushed process.

Henderson – six years ago, Henderson had pointed out problems in the Chargers contract and went to Council to tell of the trigger clause and problems with the ticket guarantee. Went through all the problems and the City voted to move forward with the renovation. Did a referendum and the renovation was done anyway.

At this very unfortunate pass. History suggests that Chargers are important. Has spent a lot of time involving himself in this issue in the past 6-7 years. Thinks the Chargers will leave if they can get out of the contract, looks first at whether they can trigger. Shameful that Chargers haven't provided the data to objectively determine whether they can trigger or not. It's an attempt to manipulate the public the way the offer was made to the City to view un-audited statements. Thinks the Chargers aren't dealing with us in good faith.

Qualcomm, demonstrated by Super Bowl, as a venue for football is a good venue, doesn't mean it is perfect. \$70-80m put into the facility in the late 90s. Chargers knew full well that electrical and plumbing systems weren't being upgraded, they signed onto that renovation and agreed to play in the stadium until 2020. The Chargers recognize the demands on the public funds. City has spent \$31m in the guarantee, \$70m on the renovations, \$30m on the bond interest, \$10-20m in trolley upgrade to handle the large crowds for football – almost \$150m. Community has done our part to demonstrate through the investment that the Chargers are important.

For the Chargers to come forward with a proposal that is so poorly thought out is shameful and demonstrates that they want to leave town. What do we do? We need to stand on the contract. It is difficult to get a 2/3 vote, but not impossible if you have a good proposal. If the proposal is attractive to the community, a 166 acre regional sports facility, it might get the vote. If had a sales tax increase that sunsets, might pass. Recommend to the City Council as something to think about, in addition to standing on the current contract.

Don't want to just go to court to fight, that would not be a positive or fruitful conversation. Say going to enforce terms of contract and work on this other idea and see if there is a ballot proposition to be supported by the voters.

Haven't paid much attention to section 7 which says that the Chargers are to make their best efforts to market the team and raising ticket prices when attendance is low isn't making a good effort. If the Chargers announce they are going to leave, the ticket guarantee expense could go way up.

Another thing that he thinks about is that as a city, we have a problem with the state's budget issues, we have major capital improvement deficits to deal with and have to worry about the pension fund problems. Even thinking about putting any public money into a project for the Chargers is going to be a problem. Difficult for the City to negotiate in this atmosphere. A county-wide vote is the only way to keep the Chargers here in a fiscally responsible way if a new stadium is the way to go.

He has been impressed by the efforts of Task Force members and staff. This discussion has been very valuable to listen to what others are thinking, conclusions reached. Feel as though have a lot of colleagues that

Break for lunch from 12:40 to 1:15

Watson – after listening to all the evidence, it has been relatively easy to come up with his two options – no public funding for a new stadium. Leaves two options left, either Chargers pay for it all or create a development that public would endorse and be willing to pay for. Qualcomm land isn't blighted and doesn't need redevelopment to get it going. A full-service sports park around the stadium would be a tremendous asset to the community. A 2/3 vote is difficult to get. If public really knows and understands where the money is going, and really want that project to occur, it is possible.

Questions for Mr. Fat who indicated that the Chargers are an important public amenity, some people willing to say some public money should go in. Can Mr. Fat elaborate on that? Mr. Watson is bothered that the City is being asked to contribute public funds when the Chargers won't specify why needed.

Fat – wasn't trying to create this issue, is happy with Qualcomm the way it is. The worst provision in the contract is the Chargers ability to leave. Doesn't believe anything about a new stadium should hit the City's General Fund. If there is a development, any tax created out of the new development could be used. Thinks the City should keep the naming rights. As a principle he does not want to tap into the General Fund. Chargers are an asset to the community. Similar to what Mr. Smith said about creating infrastructure to directly enhance public property, facilities or services for San Diego.

Coffey – would be able to support the idea of some limited amount of public funding

Henderson – remember outstanding debt, \$131m already spent on the ticket guarantee, \$150m in rent owed to us until 2020 so giving up a revenue stream which translates into putting public money into the project.

Simon – thought that what Mr. Fat was saying was that if the project could generate new tax revenues, willing to spend the money on the stadium, not just limited to infrastructure? *Yes, that is correct.*

Smith – if we take the new revenue generated from the development and put it into the project that would be a subsidy – use the monies for infrastructure, not for the stadium as a subsidy. That's why he is saying to implement a user tax – to support the development.

Watson – clarification of his proposed business model – it based on some of the arrangements the City has with current large tenants. Rent the land to the Chargers, at not necessarily a market rate rent. Doesn't think the Chargers should pay market rate rent if they are tasked with doing a whole lot of the development themselves. It will benefit the Chargers, but also the other users of the stadium so it doesn't bother him to give them a break on the rent. Also wants the river-front park included, and that adds a burden to the Chargers to ask them to build it – then operating and maintenance of the park would fall on the City's Park & Recreation department. The entitlement process will not be easy. There will be opposition to the entitlement process. Thinks the Chargers should be able to keep whatever fees and rents others would pay. This is the Sea World model, but they pay market rent. We would be leasing the Chargers the whole 166 acres. Chargers could develop whatever they can get public support for – at their risk and their expense. Politically would probably require a vote, but a 50% vote.

Smith – his suggestion is just a lease of the stadium footprint as probably couldn't make it work for all of it.

Simon – if the Chargers can't recoup their funding, then probably will try to go to LA. Has to be enough positive out of this for the Chargers to want to do it. Has to be viable enough for the Chargers or it's a non-solution.

Watson – can lease the land to the Chargers and they can build a stadium, a park, and whatever else they propose.

Considine – its disingenuous to offer this to the Chargers if it can't be done.

Heumann – supports the lease but not the density of the development to make it pencil out. If the Chargers are willing to put \$500m into the project, they can do it. It matters what they are willing to spend and the amount they are willing to lose or need to recoup. Whatever their costs are for some proposal, it sounds like they are willing to spend. We don't have to get them a balance at the end of the day. Chargers have to decide what they are willing to spend. She would not support the densities necessary to make the Chargers plan pencil out.

Watson – it is not our job to figure out what the Chargers will or will not do, only what the City should do.

Saathoff – if we start with the principles, then they will drive the options that are viable. Not very many models that will do that. On sales tax, not sure that a 2/3 vote is so bad. People are worried because many proposals that have been on the ballot are not the ones that have been worthy of a vote. Paying for a bond is going to be expensive with the interest payments. With a sales tax increase, generate the funding quicker and no interest costs. Ends up being less expensive. Need to look at the reality of that. A stadium and a park fully financed with a 2/3 vote is an idea that should be considered.

Roscoe – being persuaded toward David's business model. Lease 166 acres to Chargers, they build their stadium and river park and do what they will with the balance of the acreage, moving through the development process, work through the City, City collect taxes, City handle normal infrastructure issues, Chargers or developer would maintain all the rents on the development for the life of it. No new taxes – Chair concurred that this is correct. What would happen to the existing debt? *Didn't say what would do about that, would have to be negotiated.* Old contract would go away? *Yes*

Martinez – as example, the Chargers facility takes 40 acres approximately, and would need approximately 16 acres for a park. Then one could structure a phased development, apartments for 50-60 acres to generate some revenue, then tear them down later and come back with higher density, some could be leased long term to a private developer and use that to assist with the City's contribution, then we could do the retail at a later phase maybe to support the changing population. Density is the reality. We are going to get more people in our community. Changing dynamics of the suburban pattern in Mission Valley is changing. Might densify as well. Many projects exist that are joint use with other agencies. Suggests that there should be joint ventures and mixed use developments tied in with transit – the city of villages approach. It then follows that with regard to the Qualcomm site, we should advance the business model to a greater degree. There is a nice library adjacent to the river. Could work with the library, City schools, SDSU, and Scripps Institute of Oceanography to understand the assets we have. It will be the case study for other areas as our community is finite and contained. This is San Diego's opportunity to shine. Commends chair on option 1.

Watson – under the business model approach, case study long-term thinking would be done by the Chargers with the City's ability to comment.

Heumann – wholly embraces what Mr. Martinez is saying, and agrees with density to maximum limit IF infrastructure is put in place to support it. Her disagreement with density is due to the lack of infrastructure. Supports the type of trolley system, apartments, phasing to more increased density, just wants to see an infrastructure plan in place first.

Watson – would like to include the second option as well, and talk about the pros and cons. Have to deal with political realities. Doesn't want to give up the second option even if people like the first option too.

Henderson – regional park space is lacking.

Watson – high-density housing does not have to be boxy, it could be in high rise towers.

Clay – beginning to feel like the task force historian. Facilities & Redevelopment Committee has been talking about the four big options, the matrix, and the suggestions today fall into those categories. Hopes the final report walks people through the matrix and gives the pros and cons of each option. Need to talk about the pros and cons of renovating the existing stadium – hears most about that option from people in the community. We also have the Chargers proposal. If there is something on the port tidelands as a site, that would fall into the off-site option, be something to discuss. Ms. Coffey's ideas of going to Congress and taking on cartels is something she would like to see explored.

Fat – was confused when said no public subsidies as haven't talked about this before. Supports this business model as an option.

Saathoff – to summarize --

A lot of discussion has been very useful. Running out of time. Three options:

Business model

David's second model

Retain Chargers with current lease

These are the only options that lead with any conclusions. Perhaps should put into writing the options as suggested then put into writing with the principles.

Watson – had tried to figure out what to include in the report. Wants two committees to look at three conceptual options. 1) enforce contract – attach Contracts committee report. Mr. Simon update and enhance report and include a section describing the risk of lame duck issue, high risk of litigation. 2) renovation option – pros and cons, why would and wouldn't work. Facilities & Redevelopment committee. 3) new stadium option – do pros and cons of Chargers proposal, and two models David laid out today. Having the pros and cons of each would be a very valuable document for the City Council to have. Every fact, risk, benefit, disadvantage would naturally be included if go this way. Probably will be enough that everyone could support. The City Council would like to know which the majority of the task force will support.

The hard part is going to be to determine which of those the majority supports – at the end of the analysis of each, put the names of the folks that support their top one. Will have to analyze the risk of the 2/3 vote, etc. Committees are going to write pieces, each committee determines who can write their pieces. The committees are going to have to hash these pieces out.

Committees should include an item saying discussion of final report and possible action on that on each agenda.

Libby writing introduction, background, etc. Committees each writing pieces. Mr. Henderson suggests setting some dates.

Purpose of the public hearing is to have people comment. Some outlines to talk about Thursday that could be handed out and people could comment on them.

The committee members need to come up with the pros and cons for each.

Smith - Take Dan's and Jerry's section on Chargers

Watson – David will send his info in an e-mail.

Roscoe – talk about developer being the Chargers, but could it be the Chargers or a master developer? *Yes!*

Simon – two comments on business model. There is still the open question of whether the tax increment can be used in some fashion to defray the costs of the project.

Watson – says that the cost of the infrastructure is included in the cost of the project.

Smith – his position is that certain improvements that would be done in terms of infrastructure for the public services could be paid for by the new public monies generated by the development – stuff that the City would usually do.

Watson – committees need to fine tune this. He is okay saying an allocation of the public funds

Considine – remains confused about the business plan. Talking about possessory interest taxes on some part of the land in some part of the process. Doesn't see a comparison to Sea World. Thinks what is being proposed is able to pencil out and can't support it.

Watson – report is going to list pros and cons and each person is going to pick their favorite.

Simon – Mr. Considine is raising serious questions. Irresponsible to take a new idea without analyzing it. Doesn't think we have the information to determine whether we are for this or against it. Still says moving too fast and can't say whether for or against.

Coffey – seven months is a short time to take in so much information. Still thinks there is more to look at before ever get to the final option.

Watson – strongly recommend get ballpark report. Each committee analyze pros and cons. Pass on to the Council options with info.

Coffey – thinks in report, we should also say how much information has been gathered in such a short time.

Watson – can say only had seven months to do the best we could and these issues weren't able to be fleshed out.

Roscoe – re: business model, wants to see some numbers put to the business model.

Clay – wants to try to understand what people have to say.

Martinez – presented a powerpoint presentation on January 9th and each option falls within the approaches, only new stuff is the discussion about taxes. Seeing how people start to synthesize these things. At the end of the day have principles, then the report is done.

Public Comment –

Scott McLachlan – thanks to the task force for doing a good job. Learned a lot from watching them. Need to slow down. We didn't do the homework before when entered into the current contract. Need to determine the costs for everything. Saw what the task force was tasked with as resulting in three options 1) enforce, 2) renovate – not an option, 3) Chargers proposal – doesn't pencil out right now. Task Force needs to tell the

Council that it doesn't pencil out and it may in the future and maybe at a different site, and need more information before deciding.

Tom Mullaney - five reasons not to put a huge new development on the site

- 1) flood hazard –
- 2) traffic impacts enormous --3,000 homes is the size of homes in MB, same as saber springs, more than the number
- 3) selling land bad idea
- 4) shortage of parks
- 5) extra money

Parks – all urbanized communities are short of park and recreation land. Coaches say they have to turn away kids on sports teams. The current stadium site cannot be replaced as a potential park site. The site is worth approximately \$500m to the City if compare where would have to go to get the extra land to replace it. If the City made extra money with developments, we'd always have money. There are compelling reasons to use the site as a park.

Mike Aguirre – congratulations on the best meeting so far. Had a good exchange of view. This dialogue is what we owe the City. What seen from the Chargers and NFL is an escalation of demand. NFL and Chargers are a monopoly. They limited the supply of football and drove it to get the relocation clause and ticket guarantee. Two key provisions – relocation and economic guarantee clause. What will these look like if there is a new contract. Thinks the Chargers are trying to get something beyond the ticket guarantee - thinks the Chargers want an indexing, so they want us to match it if other teams go up in income. Ought to say that the City gives the Chargers no economic guarantee and that they have no right to relocate.

Watson – thank you to everyone and thinks that we at least have an outline of how to conclude work.
Adjourned at 2:45

ADJOURNMENT

Submitted by,

Libby Coalson
Staff Representative